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IS THE WELFARE STATE UNBEATABLE?

by William Henry Chamberlin

One may define the Welfare State as extensive expenditure of public funds to provide free or below-cost services and subsidies to selected groups of citizens. The idea is at least as old as Pericles, outstanding Athenian statesman of the Fifth Century B.C. Pericles had been running behind a candidate for public office who possessed more private means. Then, as Plutarch tells the story: "He turned to the distribution of the public moneys; and in a short time having bought the people over, what with moneys allowed for shows and for service on juries, and what with other forms of pay and largess, he made use of them against the council of Areopagus of which he himself was no member."

The Council of Areopagus possessed some of the functions of the U.S. Supreme Court. Its wings were clipped effectively, according to Plutarch; many cases were transferred to other jurisdictions. And it is not recorded that Pericles ever lost an election after he had hit on the ingenious device of buying up the people with their own money.

The main architects of the New Deal are not usually regarded as profound students of the classics. But the experience of Pericles might have suggested the formula attributed to Harry Hopkins and certainly utilized by him: "Tax and tax and tax, spend and spend and spend, elect and elect and elect."

The Welfare State is not the only supposedly modern idea which received a trial run in the distant past. So far as is known Leon Henderson and Chester Bowles never hung up a portrait of the Roman Emperor Diocletian in the head office of the OPA.

Yet Diocletian, on his record, deserves to be considered one of the most ambitious economic planners of all time. In A.D. 301 he issued an imperial edict which fixed maximum prices for all commodities and also ceilings on wage rates. Punishment for violating the decree was death or deportation. Diocletian had all the power of the absolute Roman Empire to back his venture. But, if one may judge from the verdict of the Encyclopedia Britannica, the experiment was not a success. According to this authority: "The edict was a well intended but abortive attempt to meet the distress caused by several bad harvests and commercial speculation. The actual effect was disastrous, and the edict soon fell into abeyance."

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In an age of universal suffrage, where the vote of the sharecropper counts as much as the vote of the man of property, the something-for-nothing appeal of the Welfare State is unmistakably strong. Many conservatives and individualistic liberals, with regret, "totalitarian liberals" and Socialists, with enthusiasm, have been inclined to regard the Welfare State as something inevitable -- a wave of the future.

There are now three principal, differing, and to some extent competing, economic systems. These are Soviet Communism, British-style Socialism and the diluted and modified free enterprise economies which one finds in the United States and Canada.

Even in the United States, where encroachments on individual economic freedom have been smallest, there has been a pretty substantial installment of government props and cushions for the economy. Subsidies to support farm prices; RFC aid to ailing industries; minimum wage laws; Federal aid to housing; shipping subsidies; these are only a few items in the long list of such measures. And the political pressure is always for more.

The trend has gone much further in Great Britain, where taxation takes about 40 per cent of the national income and the law of supply and demand has been largely replaced by an elaborate system of subsidies, allocations, grants-in-aid and whatnot, one effect of which is to make some goods artificially cheap and others artificially expensive. This growth of social services set in long before the Labor Government took power. It has been stepped up, of course, by the change of regime. Now social expenditure takes 17.5 per cent of the national income in Britain, compared with 10 per cent in the Thirties.

In the Soviet Union the underlying assumption of the Welfare State, that the government can provide for the individual better than the individual can provide for himself, has been carried to its extreme logical conclusion. All large-scale economic activities, factories, mines, railways, banks, stores and farms are either directly operated or completely controlled by the State.

And the all-powerful State, besides assigning its citizens to their tasks and spurring them on by an elaborate system of rewards and penalties, carefully safeguards them against the danger of developing wrong or dangerous thoughts. This is accomplished, so far as human ingenuity can achieve the end, by an elaborate combination of intensive propaganda and unlimited terrorism.

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The Republican Party in the United States is being urged by some voices, both within and without its ranks, to apply to the Welfare State the old maxim of practical politics: "If you can't lick 'em, jine 'em." Some Republicans argue that the only strategy which offers the party the prospect of a political future is to accept about 90 per cent of the Fair Deal and raise a tremendous uproar against the other 10 per cent.

Arthur Schlesinger, Jr., a member of the ADA and spokesman for what is sometimes called the non-Communist Left, recently suggested in the New York Times Magazine that a truly intelligent conservatism would try "to bribe the masses into loyalty, if you like, by assuring them the basic decencies of living". Elaborating on this point in response to a criticism, he suggested that "a nation which callously leaves its citizens to squalor and misery has no moral right to expect their loyalty".

But this viewpoint very much oversimplifies the moral and economic issues which are involved in the whole conception of the Welfare State. People who believe that it is primarily up to the individual to get away from squalor and misery by his own efforts, not to sit passively and wait for an all-powerful State to pick him up, are not necessarily callous, greedy or insensitive. They may point to a good deal of historical experience to support the proposition that self-help is a better and sounder foundation of general well-being than State help.

And, although parties committed to the Welfare State philosophy have won considerable success, some developments indicate that this philosophy is not unbeatable in free elections. The defeat of Labor governments in Australia and New Zealand is one straw pointing in this direction. So is the trend toward a freer type of economy in many countries of continental Europe. And so is the severe check which the Labor Party received in the British election last February.

This check occurred despite the fact that, due largely to the American aid which was not very warmly acknowledged during the election campaign, the Labor Party was able to point to a period of full, even overfull employment. One consequence of the heavy loss of parliamentary seats has been a loosening of the iron bonds in which the Labor Party kept the national economy. An Englishman can now pay for a decent meal in a restaurant. He can even repair his own house, without a license, without committing a criminal offense.

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The idea of a perpetual political boom, which would keep forever in power a Welfare State party, is as fallacious as the belief in a perpetual stock market boom. There is a point where the Welfare State begins to pay diminishing returns in terms of votes.

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This point is reached when the burden of direct and indirect taxation exceeds the attractiveness of the free and cheap schemes for public well-being. There are some signs that this point has been reached in Great Britain. A single man who earns the average wage of about seven pounds ($21.60) a week pays 130 pounds ($364) a year in direct or indirect taxation. And this exceeds the cash value of what the single man gets in cheaper food and other subsidies.

Possibly the balance sheet is more favorable for a married man who receives children's allowances, a publicly subsidized house, etc. But, contrary to a popular illusion, there is no great pool of wealth in the hands of the wealthy which can be redistributed under Welfare State schemes. The State creates no wealth itself. It can only give to some citizens what it takes from others in higher taxes; or it can pay for its experiments by the method which medieval rulers used when they clipped bits of gold and silver from coins of the realm.

The modern technique for achieving the same end, depreciation of the currency, is to resort to deficit financing and load up the banks with government bonds. Senator Taft offered a shrewd criticism of what deficit financing, in the long run, may be expected to lead to when he outlined the financial burden of the Fair Deal and said: "Even the taxpayer can't do it in the end. It can only be done by printing money and killing the value of the dollar. No people in this world ever got something for nothing. And the present annual six billion dollar deficit is bound to bring inflation, reduce the value of savings and insurance and savings bonds, and lead to a false boom and a depression."

Like many noble experiments, public and private, the Welfare State, in its more extreme and unlimited form, may come to an abrupt end when there is no more money to be had, when taxation has been pressed to the limit and the State credit will not stand the strain of further borrowing. From the narrowest standpoint of political expediency it seems doubtful whether an opposition party would act wisely in adopting a "me too" attitude toward bureaucratic squandermania. Such an attitude would merely involve sharing responsibility for the debacle which may be expected when some day the people wake up from the old false dream of inflation-induced prosperity.

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Not Merely Gossip *A Supplement to* Human Events Vol. VII, No. 22

JUN 7 1950

By Frank C. Hanighen May 31, 1950

ALERT: Americans did not know it, but military forces were alerted last week end. Lights burned late in the Pentagon and every word from across the water was anxiously scanned. An Army officer told us that his return to Washington was delayed, because he could not get passage via Army transport planes; some of these craft were grounded, he said, and on the ready. He reached here by train. The cause of these precautions was the long-heralded May 28 march of the Communists in Berlin, which, it had been feared, might lead to a Red attempt to take over the Allied sectors of that city by force. The event, however, turned out to be a purely peaceful occasion. We do not suggest that war was really imminent last Sunday, nor that the Defense Department was indulging in alarmist tactics. Defense was confident last week that nothing really serious would develop. But authorities did not wish to take any chances; hence the safeguards.

The reason we choose to mention this matter is that the potential friction point was not in southern Asia, nor in Iran, nor on the borderland of Yugoslavia. It was in Germany -- an area which often seems to be given "lower case" rating among the places which the directors of our foreign policy apparently worry about. Great press organs carefully scrutinize this or that other "touchy" sector in Europe on the basis of military considerations. Money is appropriated and great conferences are held to apportion it -- to France, Britain, Italy and other nations in Europe which officially constitute the bastion of resistance to the threat of Soviet Russia. Germany, however, is regarded with a sort of clinical suspicion. For instance, with an irony which escaped most commentators, in a week marked by the ballyhoo of "I AM AN AMERICAN", there were dispatches from Germany expressing worry about "rising nationalism". Try to add it up.

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DEFEATISM IN WESTERN EUROPE: We should like to offer testimony on this strange situation, from the man who, in our opinion, is the best newspaper observer in Europe in the last 30 years -- Mr. Karl H. von Wiegand, of the Hearst newspapers. Von Wiegand, the real dean of all American correspondents in Europe, has been at the game since before World War I, with an extraordinary background of knowledge. He says (May 27) "In an article several weeks ago, I called attention to a wave of something approaching 'defeatism' sweeping Western Europe and the absence of the will to resist if war came between East and West. . . . I have just concluded another motoring tour, this time of some 3,000 miles, and found defeatism even more widespread than even two or three months ago." He talked to "men in the street": "In the nations' capitals you hear mainly what the governments say, but in motoring through the countries you hear something of what the people think and say -- and it is the people who have to do the fighting in war. None wants to fight and many tell you that they won't fight." That is the situation Mr. von Wiegand found in the Western European democracies.

But, he adds, "There are three countries in which there is a genuine spirit of the will to fight and resist any invader. They are Sweden, Switzerland and Spain. None of these three belongs to the North Atlantic Pact coalition of 12 nations, nor to the Western Union of five nations, and each of them stands alone in its own defense. In no other country except Switzerland, Spain and Portugal is the spirit of resistance to Communism as strong as in the West German Republic. But with West Germany completely disarmed, that resistance could not be applied if Russia's Red Panzer divisions started to move westward." Von Wiegand recalls that U.S. policy

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"in arming Europe at the expense of the American taxpayer" is based on the assumption that Europe, west of the Rhine, has the will to resist. He recommends that: "Instead of sending a Congressional committee on a junketing tour to establish whether 'nationalism is rising' in disarmed, demilitarized, impotent Germany, it would make more sense and give Congress and the American people more vitally important information if a Congressional committee were sent to ascertain if the people of the West European countries have or have not the will and determination to resist and to fight if that need arises."

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SYNTHETIC PUBLIC OPINION: Edna Lonigan gives us a post-mortem on the Point Four matter. The Point Four bill has passed Congress as tail to the ECA kite. That is, ECA has in effect been extended to all five continents, and made permanent. The New York Times reports that Mr. Hoffman has already sent a mission to southeast Asia, and set up a Far East program division. The head of Viet Nam has already thanked us for our aid. The State Department is recruiting 1200 to 1500 "technicians", all before the appropriations have been passed. State is already putting out publicity showing that the amount Congress authorized is too small. Wallace's Folly is well launched on its way.

A handful of Senators waged a brilliant campaign on the floor to keep Congress from embarking on this fateful scheme, at least without further study. But the country heard almost nothing of the debate. The public took no part in the fierce exchange of views, and the Senate rebels were left unsupported. The press once served as the bridge connecting our legislative leaders with the public, and in drawing citizens into important political issues. The simple truth is that the bridge is no longer there.

The Administration has a complete manufacturing and distributing system for carrying the ideas it needs to the people. The planners began to build up the basic ideas for Point Four when Henry Wallace started to make grants to raw material countries under FEA. Thus they developed a corps of experts who knew the economic jargon and the power possibilities in foreign investment for political ends. The hand of the Communists was evident in all the planning.

The second stage was the distribution of these ideas to the populace. The planners knew they must keep all discussion out of the daily press, because their opponents would be warned. So they avoided all overt acts that would be "news". Meanwhile they poured a stream of speeches, reports, learned pamphlets, and human interest stories into the union press, the women's press, the farm press, and the religious press. People read their own association papers to get ideas they agree with. They accept what they read as "their own side". It is simple for propaganda writers to slant the story ever so slightly to fit each audience, to be absorbed by them without conscious thought, buried in material they completely trust. Millions were thus conditioned to believe Point Four had been studied and found "good".

The third step was to close the legislative trap. After long-drawn-out hearings carefully kept free from drama (that is, news value), the Administration suddenly hooked Point Four onto ECA, and rushed it through the door marked "emergency", already cleared for the ECA bill. Thus the Administration not only manufactures and distributes its own system of ideas and words, but it knows exactly how to keep news out of the "free" press. And the propaganda technicians synchronize both with the Administration's political time table.

Senators Jenner, Millikin, Taft, Malone and the other Senate rebels knew the strength of the Administration's "fire power", but they apparently hoped the free and private press would awaken the citizens to their support. That hope was vain. When two sets of ideas meet in combat, one supported by State machinery for manu-

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facturing and spreading ideas, and the other dependent on a free private press, which reports only what the Government wants to make news, then the result is a foregone conclusion. Those who oppose absolute power have no hope of winning, unless they remake their intellectual front, from top to bottom.

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NOTES ON CONGRESS: Congressman Biemiller and other Members of Congress continue to violate the rule forbidding criticism of one Member by another, through the device of inserting in the Record newspaper articles which say what they are not supposed to say on the floor. Representative Crawford of Michigan called attention to the violation and two articles were reluctantly withdrawn but Marcantonio served notice that the fight was on to end this Congressional courtesy. It is essential Communist tactics to make legislative bodies the scenes of bitter fighting.

---- There is a remarkable resemblance between the arguments used in this country against those who expose Communism in government, and the methods used in England against Lord Vansittart for naming the Communists in the British Government. Even the words are almost exactly alike. In both chambers we hear hints of suggestions that Parliamentary immunity must be withdrawn. We may expect a widespread Communist attack on Congressional immunity managed much like the campaign about civil rights and "guilt by association".

---- The Attorney General has now joined the fight on Senator McCarthy. He advised a Grand Jury that accused persons whose cases they were considering were not guilty, and he identified Senator McCarthy's methods with the Gestapo.

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ENTOMOLOGY AND HOME ECONOMICS: To study the raw details of life among the bureaucrats there is no better place than a hearing before a House Appropriations Committee. Members of a subcommittee of that group have but recently emerged from the gruelling task of overhauling the Department of Agriculture appropriation for 1951. For example, here is its Chairman (Hearings, p. 672 ff.) putting the Bureau of Entomology and Plant Quarantine on the griddle. "Since the picture was not good last year, with the approval of the committee I requested an investigation of the operation of the various control programs handled by this Bureau on which you spend millions of dollars. . . . [The investigators' report] calls attention to the fact that your testimony before this committee last year was that you had 15 permanent personnel (in Denver) while the investigation disclosed that there were 35 at the Denver office. . . . Throughout the United States the investigators found various and sundry automobiles, some of which have been parked for three or four years. They even found where various items of equipment had been moved from one place to another to keep some other bureau of the Government from putting in a claim for it and using it. . . . In the Denver office it was disclosed that you had 217 automobiles and for the first four months of 1949, 194 were not used at all."

Entomology disposed of, the Chairman takes on the Bureau of Human Nutrition and Home Economics. "Scientific research!" he exclaimed. "That is the open sesame to the coffers of the Treasury", and then went on to consider Miss Lance who has come down from the Bureau to display the functional shopper's coat which the Bureau has put together after prolonged research. "The coat", says Miss Lance, "has pockets to make carrying a handbag unnecessary. Here is a zipper pocket to keep your wallet, a pencil on a chain, and you can have your pen there. And in this pocket you have an automatic pull-out chain with your house keys and token dispenser, eliminating fumbling for those. Here are large pockets for your gloves. Here are slots for your grocery list. Use your pencil over here to check off your food items. And just below, a little tissue dispenser." And so forth, hour after hour, day after day, week after week!

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Book Events

I Chose Justice, by Victor Kravchenko. New York: Charles Scribner's Sons. $3.75.
Reviewed by J. M. Lalley.

When Mr. Kravchenko's famous apologia, I Chose Freedom, appeared in a French edition, he became, as was to have been expected, the target of vehement abuse and defamation by the Communist press of Paris. As part of this campaign, an obscure journal called Les Lettres Francaises, published an article purporting to have been written by one Sim Thomas, identified by the editors as a prominent American journalist. Kravchenko, this article asserted, was the creature and puppet of the American warmongers. He had made himself notorious in Washington as a drunkard and gambler, and was about to be shipped home in disgrace when the Office of Strategic Services took him in charge. His gambling debts were paid out of Federal funds; he was hurriedly spirited out of the Capital, and long concealed from public scrutiny lest his moral and intellectual degeneracy be discovered. Two agents were delegated to fabricate the mémoires subsequently published in his name; for Kravchenko himself, said Sim Thomas, was incapable of writing any sort of book. Kravchenko's answer was to institute a libel action in the French courts against the putative author of this article and the known editors of Les Lettres Francaises. The sequel was one of the most amazing propaganda trials of the century, which was for three melodramatic months the supreme sensation of Paris.

On this suit Kravchenko, by his own account, spent $70,000 of his vast royalties. He announced that his purpose was to convert it into a trial of the Soviet Union before the opinion of the world, a scheme made possible by the relatively anarchic French judicial procedure. The challenge was incautiously accepted by Moscow. Various witnesses were flown to Paris from Russia to testify to the plaintiff's disreputable character and professional incompetence; they included his former wife and some of his former superiors and associates in the metallurgical trust and on the Soviet Purchasing Commission. Throughout Western Europe the fellow travellers rallied for the battle. From England came the Red Dean of Canterbury and the Laborite M. P., Konnie Zilliacus, to swear how scandalously Kravchenko traduced the idyllic society of Soviet Russia and the high humanitarian purposes of the régime. They were supported by numerous French witnesses including the scientist Joliot-Curie, the soldier General Petit, the politician Pierre Cot, and even an aristocrat, the Marquis d'Astier de la Vigerie. Sim Thomas, although a defendant, did not appear, but his absence astonished nobody except the presiding judge.

Kravchenko's witnesses were recruited mainly among displaced persons of Russia or Ukrainian nativity. They were carefully sifted out from among thousands who volunteered their testimony as soon as news of the suit had got abroad. Members of the Old (or White) Emigration were deliberately rejected, as were also those who had collaborated with General Vlasov's Army of Russian Liberation or had in any way or at any time been protected or favored by the Nazis. Many of the witnesses, therefore, were men and women who had survived agonies at the hands of the NKVD only to experience other agonies at the hands of the Gestapo and the SS. One by one they recited their harrowing personal and family histories to confirm what Kravchenko had written concerning the liquidations of the kulaks and the titanic cruelties that attended the great purges. As these stories of famine, massacre, prison tortures and arctic slave camps were unfolded to horrified French ears, it became clear that the trial was going badly for the Communist interest; and it went even worse when the defense witnesses from Russia were heard. But only the judges seemed to remember the actual questions of law involved. In due course they found that since the allegations against Kravchenko had not been proved, the editors of Les Lettres Francaises were thereby guilty of libel and slander.

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